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SENSITIVE

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SUBJECT: SWEDISH EXPORTS TO IRAN RISING

¶1. (SBU) Summary: Swedish government agencies and official trade councils continue to encourage Swedish companies to do business with Iran. Exports to Iran in the first six months of 2008 are up 30% over the corresponding period in 2007. Sweden has also not tightened export credit guarantees for Swedish companies currently doing business with or wishing to start exporting to Iran. End Summary.

BACKGROUND ON SWEDEN-IRAN BUSINESS AND CULTURAL TIES

¶2. (SBU) In 1979, many Iranians came to Sweden, fleeing the revolution that transformed Iran from a monarchy under Shah Pahlavi, to an Islamic Republic under Ayatollah Khomeini. There are currently some 60,000 Iranians living in Sweden. Even the youngest Iranians in the group that fled the Islamic revolution are now adults, and many of these Swedish-Iranians are looking to re-establish contact with Iran. Evidence of this can be seen in the presence of a Swedish-Iranian Chamber of Commerce and at the Stockholm School of Economics (SSE), Sweden's top business school and the alma mater of many of Sweden's business and industrial leaders. SSE has a student association project called "Vikings2Iran" that promotes cultural understanding and explores potential business opportunities between Sweden and Iran.

¶3. (SBU) Sweden is an export-based country, and many Swedish companies have traded with Iran. Volvo Trucks delivered its first trucks to Iran in 1934 and remains Sweden's largest exporter to Iran. Sweden and Iran signed a bilateral investment treaty in February 2008.

STATISTICS

¶4. (SBU) The banner year for Swedish exports to Iran was 2005, with a total of \$1 billion (at the 2005 rate of \$1 = SEK 7.8). After two years of steady decline, Swedish exports slowly but surely have begun to rise again. The most recently published trade statistics from Statistics Sweden reveal the following:

- For the period January-July 2007, Swedish exports to Iran totaled \$208.7 million (at the 2007 rate of \$1 = SEK 6.5).

- For the period January-July 2008, exports increased by about 30% to nearly \$295 million (at the 2008 rate of \$1 = SEK 6.0).

- For the period January-July 2008, Iran ranked fourth after Saudi Arabia, the United Arab Emirates and Israel in the Middle East for Swedish exports.

15. (SBU) Indications that Sweden continues to promote trade with Iran are found on the following Swedish-language websites. Post noted a significant difference in the information about doing business with Iran available on Swedish-language websites, compared with what was available on the English-language websites of the same organizations.

- The Swedish Trade Council website:

"The Swedish Trade Council (STC) can assist Swedish companies that want to establish operations or grow existing operations in Iran. The STC offers a range of services from providing information to strategic business development in Iran." STC's most recent country report on Iran (2006) states that Iran has been seen as an example of "opportunities for Swedish companies in more distant markets, although these opportunities have currently diminished somewhat due to political developments." Swedish Trade Council associate Daniel Mokari, who is based in Dubai and responsible for the Middle East and Africa, said: "The largest export markets for Sweden in the region are industrial nations such as Saudi Arabia, Egypt and Iran, as most of the Swedish export products are engineering products used in industries."

- The Swedish Embassy in Tehran website:

The Swedish Embassy in Tehran Swedish-language website has a page on trade with Iran that says: "Iran has been one of Sweden's most important non-European markets," and that "several Swedish companies have a long tradition of doing business in the country." The same page also states that:

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"Iran can be increasingly seen, despite certain reservations, as an example of the opportunities that more distant markets can offer Swedish companies."

OFFICIAL EXPORT CREDITS

16. (SBU) According to the Swedish Export Credits Guarantee Board (EKN) 2007 Annual Report, there has been a "greater demand for risk cover for deliveries to the Middle East, above all to Iran." In 2007, small and medium size companies had the highest demand for these guarantees. The following information is from EKN's 2007 Annual Report, which is posted on the company's Swedish and English-language website (which does not provide USD or SEK amounts of the guarantees):

- 36 companies received EKN export guarantees for Iran between August 1, 2006 and July 31, 2007.

- 24 companies received EKN export guarantees for Iran between August 1, 2007 and July 31, 2008. Of these 24 companies, all but four were among the 36 companies that had received export guarantees for Iran in 2007.

- In 2007, Iran ranked third on the list of the top 10 countries for which export guarantees were issued for small and medium size companies.

- In 2007, Iran ranked first on the list of the top 10 countries for which export guarantees were issued for large companies, which was more than twice as many as to second place Russia.

- In 2007, guarantees for exports to Iran were issued for several different industries, including telecoms, transport, power and industrial plants. The most common instruments used were letters of credit and short-term loss of claim guarantees. Exporters often needed to cover production risks where major projects were concerned.

- In 2007, Iran ranked fourth on the list of the 15 largest countries with outstanding guarantees, with about \$1.2 million (at the 2007 rate of \$1 = SEK 6.5.)

17. (SBU) According to Therese Malmberg, the Swedish Financial Supervisory Authority, there are no Iranian banks in Sweden and no Swedish banks in Iran. There are, however, bank-to-bank correspondent relationships, for instance: Nordea has correspondent relations with Bank Keshavarizi, Persian Bank and Bank Refah Kargan.

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